

Message Text

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ACTION ARA-14

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FM AMEMBASSY BRASILIA
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E.O. 11652: N/A
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SUBJECT: BANK OF AMERICA IN BRAZIL

REF: BRASILIA 6913

1. SUMMARY - THE BOARD OF DIRECTORS OF THE BANK OF AMERICA WERE IN BRAZIL AUGUST 25-31 FOR TALKS WITH GOVERNMENT OFFICIALS AND REPRESENTATIVES OF THE BUSINESS AND FINANCIAL COMMUNITIES. PRESIDENT A.W. CLAUSEN ATTACKED PROTECTIONISM IN A MAJOR ADDRESS AND STRESSED BANK OF AMERICA'S CONFIDENCE IN BRAZIL'S ECONOMIC AND POLITICAL FUTURE IN COMMENTS TO BUSINESS GROUPS AND THE PRESS. THE VISIT OF THE BANK'S BOARD WAS THE FIRST SUCH TRIP ABROAD AND REFLECTED BANK OF AMERICA'S EXPANDED ACTIVITY IN BRAZIL. IN THE LAST YEAR BANK OF AMERICA HAS LED SEVERAL LARGE LOAN SYNDICATIONS FOR BRAZIL AND IT RECENTLY CONCLUDED PURCHASE OF A MINORITY SHARE IN A BRAZILIAN INVESTMENT BANK. END SUMMARY.

2. THE BOARD OF DIRECTORS OF BANK OF AMERICA VISITED
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BRAZIL AUGUST 25-31. MAJOR EVENTS INCLUDED: A REGULAR BOARD MEETING IN RIO WITH REPORTS BY THE BANK'S REGIONAL EXECUTIVE OFFICERS AND REPRESENTATIVE IN BRAZIL; SESSION WITH THE MINISTERS OF FINANCE, PLANNING, AND INDUSTRY AND COMMERCE IN BRASILIA; A CALL BY BANK PRESIDENT A.W. CLAUSEN ON PRESIDENT GEISEL; BRIEFING AND LUNCHEON HOSTED BY AMBASSADOR

SAYRE; AND SPEECH BY CLAUSEN TO THE AMERICAN CHAMBER OF COMMERCE OF SAO PAULO. AMONG THE APPROXIMATELY 25 MEMBERS OF THE BANK OF AMERICA'S BOARD OF DIRECTORS VISITING BRAZIL WERE FORMER OMB DIRECTOR ROY ASH, FORMER FEDERAL RESERVE GOVERNOR ANDREW BRIMMER, FORMER U.S. AMBASSADORS IGUACIO LOZANO (EL SALVADOR) AND BARBARA WHITE (UN) AND CURRENT OR FORMER PRESIDENTS OR CHAIRMEN OF DOW CHEMICAL, WESTINGHOUSE ELECTRIC, STANDARD OIL OF CALIFORNIA, LEVI STRAUSS CO., PAN AMERICAN WORLD AIRWAYS, WALT DISNEY PRODUCTIONS, KAISER INDUSTRIES, DOUGLAS AIRCRAFT, LOS ANGELES DODGERS, AND LOS ANGELES TIMES.

3. THE PURPOSE OF THIS VISIT BY SUCH A DISTINGUISHED GROUP OF U.S. BUSINESS AND FINANCIAL LEADERS WAS TO DEMONSTRATE BANK OF AMERICA'S INTEREST IN BRAZIL. THIS MARKED THE FIRST SUCH JOURNEY AND MEETING OF BANK OF AMERICA'S BOARD OUTSIDE OF THE U.S. THE BANK ANNOUNCED DURING THE VISIT THAT IT IS IN THE FINAL STAGES OF PURCHASING A MINORITY SHARE (APPROXIMATELY 25 PERCENT) IN A BRAZILIAN INVESTMENT BANK, MULTIBANCO. THE BRAZILIAN SHAREHOLDER IS APLUB, A CONGLOMERATE INSURANCE COMPANY AND PRIVATE PENSION FUND. THE FOREIGN PARTICIPATION IS VIA A COMMERCIAL BANK IN BRAZIL, BANCO INTERNATIONAL, WHICH WAS ESTABLISHED IN 1967 WHEN BANK OF AMERICA LIMITED OFFICIAL USE

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ACQUIRED 50 PERCENT OF ROYAL BANK OF CANADA, AFTER THE GOB REJECTED BANK OF AMERICA'S BID TO OPEN A FULLY-OWNED BRANCH BANK IN BRAZIL. BANCO INTERNACIONAL HAS HEADQUARTERS IN SAO PAULO AND BRANCHES IN RIO, RECIFE, AND PORTO ALEGRE. BANK OF AMERICA ALSO MAINTAINS A REGIONAL VICE-PRESIDENT FOR SOUTHERN SOUTH AMERICA IN SAO PAULO AND A REPRESENTATIVE OFFICE IN RIO (ESTABLISHED IN 1953) FOR DIRECT LENDING IN BRAZIL. THE LATTER HAS APPROXIMATELY 25 EMPLOYEES AND IN THE PAST YEAR HAS TAKEN A VERY ACTIVE ROLE IN ARRANGING LOANS TO BRAZIL. BANK OF AMERICA TRADITIONALLY HAS BEEN THE LEADING FOREIGN BANK LENDING TO PETROBRAS AND CONCENTRATES ITS PORTFOLIO ON BRAZILIAN STATE ENTERPRISES. IN JANUARY 1978 BANK OF AMERICA ORGANIZED A SYNDICATED LOAN OF \$200 FOR THE BNDE WHICH CONTRIBUTED SIGNIFICANTLY TO THE IMPROVEMENT IN BORROWING TERMS FOR BRAZIL. ACCORDING TO NEWS REPORTS QUOTING FINANCE MINISTER SIMONSEN, BANK OF AMERICA CURRENTLY HAS \$1.3 BILLION IN LOANS OUTSTANDING IN BRAZIL, RANKING IT AS PROBABLY THE COUNTRY'S THIRD LARGEST PRIVATE FOREIGN BANK CEDITOR.

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4. PRESS COVERAGE OF THE BANK OF AMERICA VISIT STRESSED PRESIDENT A.W. CLAUSEN'S EXPRESSION OF CONFIDENCE IN BRAZIL'S ECONOMIC AND POLITICAL FUTURE IN RESPONSE TO QUESTIONING AND HIS CONDEMNATION OF PROTECTIONISM IN HIS SPEECH IN SAO PAULO. CLAUSEN SAID BRAZIL'S POLITICAL STABILITY RELATIVE TO MANY OTHER NATIONS IS ONE FACTOR MAKING IT ATTRACTIVE TO FOREIGN LENDERS. HE SAID HE IS OPTIMISTIC ABOUT BRAZIL'S LONG-TERM ECONOMIC PROSPECTS AND HE REPEATED ON SEVERAL OCCASIONS THAT THE BANK OF AMERICA HAS NOT REACHED ITS LENDING LIMITS IN BRAZIL AND IS ANXIOUS TO INCREASE ITS LOANS TO BRAZIL. HE NOTED HE HAS KNOWN PRESIDENT GEISEL SINCE HE WAS PRESIDENT OF PETROBRAS, LONG A BORROWER FROM BANK OF AMERICA. CLAUSEN COMMENTED THAT PARTICIPATION IN AN INVESTMENT BANK (BANCO INTERNACIONAL WILL HOLD 49 PERCENT OF THE CAPITAL STOCK AND 33 PERCENT OF THE VOTING POWER IN MULTIBANCO) WILL PERMIT MORE EFFECTIVE LENDING TO THE BRAZILIAN PRIVATE SECTOR. CLAUSEN'S CRITICISM OF PROTECTIONISM EXPLICITLY AVOIDED DIRECT COMMENT

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ON BRAZIL'S FOREIGN EXCHANGE AND TRADE REGIMES. HOWEVER, HIS ALL-ENCOMPASSING REFERENCES TO THE LESSONS OF ECONOMIC THEORY, EXPERIENCE AND COMPUTER MODELS CLEARLY SOUGHT TO DEMONSTRATE THE ADVERSE EFFECTS OF ALL PROTECTIONIST MEASURES, WHETHER APPLIED BY INDUSTRIAL OR DEVELOPING COUNTRIES.

5. IN THE BRIEFING SESSIONS IN BRASILIA THE BANK OF AMERICA REPRESENTATIVES DEMONSTRATED KEEN INTEREST IN ALL ASPECTS OF BRASILIAN SOCIETY. THEY RAISED QUESTIONS WITH AMBASSADOR SAYRE REGARDING HUMAN RIGHTS, THE EVOLUTION OF POLITICAL AFFAIRS, AND THE STATE OF U.S.-BRASILIAN RELATIONS. IN CONVERSATIONS WITH FINATT AND WITH CONGEN SAO PAULO TWO DIFFERENT BANK OF AMERICA DIRECTORS REGRETTED BRAZILIAN LEGAL RESTRAINTS ON FOREIGN BANKS WISHING TO OPEN BRANCH OPERATIONS IN BRAZIL. IN THE MEETING WITH THE GOB ECONOMIC MINISTERS, THE BANK OF AMERICA DIRECTORS REPORTEDLY EXPRESSED CONSIDERABLE INTEREST IN BRAZIL'S ENERGY PROGRAMS, ESPECIALLY PETROLEUM EXPLORATION AND THE EFFORTS TO DEVELOP ALCOHOL SUBSTITUTES FOR GASOLINE. THEY ALSO RAISED QUESTIONS ABOUT BRAZIL'S EDUCATIONAL SYSTEM, SOCIAL SECURITY PROGRAM, AND AGRICULTURAL DEVELOPMENT. THE MINISTERS PROVIDED THE GROUP WITH GENERAL BACKGROUND INFORMATION ON ECONOMIC GROWTH, DEVELOPMENT PROJECTS, AND THE BALANCE OF PAYMENTS. ACCORDING TO THE MINISTER OF FINANCE, THE BANK OF AMERICA SPOKESMEN QUOTE DID NOT EVEN ASK A QUESTION ABOUT THE FOREIGN DEBT OF THE COUNTRY SINCE PERHAPS THEY KNOW THE BALANCE OF PAYMENTS DATA AS WELL AS WE DO EN QUOTE. SAYRE

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